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Wine - EU Subsidies

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Report Highlights:

This report gives an overview of EU subsidy programs for wine.

Includes PSD changes: No

Includes Trade Matrix: No

Unscheduled Report

Brussels USEU [BE2], E2

Wine - EU Subsidies

The EU's common market organization for wine covers (regulation 1493/1999) the following products: fresh grapes other than table grapes, unfermented grape juice and grape musts, wine of fresh grapes (including sparkling wines, liqueur wines and semi-sparkling wines), wine vinegar, wine-making by-products like piquette, wine lees and grape marc. It distinguishes between two types of wine: quality wines produced in specified regions (psr) and table wines. The aim of the EU's wine regime is:

- < to regulate supply by limiting replanting and granting premiums for grubbing up vines
- < to apply to table wines a price and intervention scheme involving distillation, i.e. withdrawal at a guaranteed minimum price of production surpluses to be processed into potable alcohol or fuel

Production potential

Planting of vines is strictly regulated and controlled in terms of acreage and allowed varieties. Controls remain in place to encourage the production of quality wines while discouraging the production of poor quality. New plantings of wine grapes are prohibited until July 31, 2010 except under certain circumstances.

Abandonment premiums may be granted to producers for the permanent abandonment of wine-growing on a particular area. The member state sets the level of the premium, subject to certain levels. The CMO sets the maximum level of premium per hectare according to average yield. Member states may also grant national aid for grubbing up.

Maximum abandonment premiums								
average yield/hectare (in hectoliters)	up to 20	20-30	30-40	40-50	50-90	90-130	130-160	greater than 160
max. premium (in Euros)	1,450	3,400	4,200	4,600	6,300	8,600	11,100	12,300

Source: regulation 1227/2000

Permanent abandonment premiums (in million Euros)				
Actual expenditure			Appropriations	
1999	2000	2001	2002	2003
8.9	9.5	12.2	16	16

Source: EU 2001, 2002 & 2003 Budget

Member states also manage a restructuring and conversion system to convert unmarketable varieties to marketable ones. This is done through grafting, relocation of vineyards and improvement of management techniques. EU financial support may be granted under this system only if a plan is drawn up and it is approved by a member state that has compiled an inventory of

production potential. Producers are compensated for lost revenue during the conversion period as well as restructuring costs. The EU funds 50 percent of these costs, with the rest covered by the producers themselves. Member states do not cover any of the costs, except in cases where they wish to support conversion in a larger area than that designated for that member state by the EU. In these cases, the member states may distribute EU payments to a larger number of producers and top-up the payments with national funds so that producers continue to be compensated for 50 percent of their costs.

Restructuring & Conversion EU financial allocations by member state for marketing year 2002/2003		
Member state	Area (hectares)	Financial allocation (in Euros)
Germany	2,566	14,682,873
Greece	1,050	9,258,036
Spain	28,817	157,285,185
France	13,000	95,000,000
Italy	17,516	123,935,139
Luxembourg	11	86,842
Austria	1,532	10,565,980
Portugal	3,766	32,358,945
Total	68,258	443,200,000

Source: Decision 2002/666/EC

Restructuring & Conversion (in million Euros)				
Actual expenditure			Appropriations	
1999	2000	2001	2002	2003
n/a	n/a	360.4	422	443

Source: EU 2003 Budget

Intervention

Intervention applies to table wines only. Intervention consists of EU subsidies for storage and distillation. Private storage aid is available for table wine and grape must through long-term storage contracts with intervention agencies. Only technical storage costs and interest charges are covered by the aid.

Private storage aid rates	
Product	Euro/hectoliter per day
grape must	0.01837
concentrated grape must	0.06152
rectified concentrated grape must	0.06152
table wines	0.01544

Source: regulation 1623/2000

Intervention storage of wine and grape must (in million Euros)				
Actual expenditure			Appropriations	
1999	2000	2001	2002	2003
41.2	50.3	61.7	63	67

Source: EU 2000, 2001 & 2003 Budget

A number of provisions cover distillation. If storage aid for producers is not sufficient to correct the market in cases of serious surpluses or quality problems, the Commission may decide to use "crisis" distillation. Wine producers are paid a buying-in price by distillers and distillers are paid a distillation aid. Crisis distillation is voluntary and the Commission sets the buying-in price and quantitative limits according to market circumstances.

The Commission also supports voluntary distillation of table wines to ensure supplies to the potable alcohol sector which traditionally uses such alcohol (wine spirits and liqueur wine). This type of distillation is opened every year and operated until budgetary limits are reached. Under this scheme, aid is paid to the distiller who pays a minimum price to the producer. The distiller receives additional support to cover the cost of storing the resulting product.

Aid to distillers for voluntary distillation	
Product	Euro per percent volume, per hectoliter
raw alcohol, wine distillate and spirits distilled from wine	1.751
neutral alcohol	1.884
Storage aid - Euro per percent volume / hectoliter / day	
products obtained from distillation	0.00042

Source: regulation 1795/2002

Some forms of distillation are compulsory. All wine by-products such as grape marc and wine lees must be submitted for distillation for a price no lower than the EU buying-in price or for the

production of vinegar. The buying-in price is set at 0.995 Euro per percent volume, per hectoliter. This is a quality-related measure to prevent the production of low-quality wine through over-pressing of grapes. Distillers receive aid for the end product or may deliver it to an intervention agency.

The same distillation scheme applies to all wine produced from grapes classified as both wine grapes and table grapes in excess of the allowed amount to be used for wine. The buying-in price for compulsory distillation of wine produced from grapes with a dual classification is 1.34 Euro per percent volume, per hectoliter.

Aid to distillers for distilling wine by-products	
Product	Euro per percent volume, per hectoliter
neutral alcohol flat-rate	0.6279
neutral alcohol from grape marc	0.4106
neutral alcohol from wine and wine lees	0.4106
spirits distilled from grape marc	0.3985
wine spirits	0.2777
raw alcohol from wine and wine lees	0.2777

Source: regulation 1623/2000

Aid to distillers for distilling wine made from dual-classification grapes	
Product	Euro per percent volume, per hectoliter
neutral alcohol	0.7728
wine spirits, raw alcohol or wine distillate	0.6401

Source: regulation 2464/2001

Price paid to distillers for alcohol of at least 92 percent volume delivered to an intervention agency	
Product	Euro per percent volume, per hectoliter
Alcohol distilled from wine-making by-products	
- standard price	1.654
- march alcohol	1.872
- wine and lees alcohol	1.437

Alcohol distilled from wine produced by dual use varieties	1.799
Note: if distillation aid was already paid, the price is reduced by the amount of the aid	

Source: regulation 1623/2000

Intervention agencies dispose of alcohol through public auction or tendering for industrial use, exportation to third countries for fuel use or use as bio-ethanol in the EU. Additional aid may be granted by member states if necessary to encourage the distillation of by-products. In some areas, wine-making by-products may be withdrawn under supervision instead of distilled. Note: to take into account aid paid for enriching wine with grape must or sucrose, buying-in prices (for dual-use wine and voluntary distillation) are reduced. In cases where the reduction has been applied, the aid paid to the distiller or the intervention agency price paid to the distiller will also be reduced by the same amount.

Intervention for products of the wine-growing sector (in million Euros)					
	Actual Expenditure			Appropriations	
	1999	2000	2001	2002	2003
Distillation of wine	187	253	304	362	363
Compulsory distillation of wine-making by-products	61	74	72	68	67
Taking-over of alcohol from compulsory distillation	129	171	219	284	245
Total	377	498	595	714	675

Source: EU 2001, 2002 & 2003 Budget

Aid for the use of must

The EU also provides financial aid to encourage the use of concentrated grape musts and rectified concentrated grape musts instead of sucrose to increase the alcoholic strength of wine. The aid makes up for the higher cost of using grape must. Aid for the use of grape must or rectified concentrated grape must is set by potential alcoholic strength by volume per hectoliter. There is also aid for the use of wine grapes, must and concentrated must for the production of grape juice or other edible products made from grape juice.

Aid for the use of must (in million Euros)				
Actual Expenditure			Appropriations	
1999	2000	2001	2002	2003
161	188	150	153	156

Source: EU 2001, 2002 & 2003 Budget

Export refunds

Export refunds are available for grape juice, grape must and wine but are reported as an aggregate.

Export refunds for wine products - Actual expenditure (in million Euros)		
1999	2000	2001
27.4	21.5	22.5

Source: EU Financial Report 2001

Export refunds for wine products, by member state - 2001 expenditure (in million Euros)	
Germany	0.1
Spain	13.7
France	1.4
Italy	4.9
Austria	1
Portugal	1.2
Total	22.5

Source: EU Financial Report 2001

Other

Wine is also included in the list of products for which the EU grants financial support to promote them on the internal market and in third countries. Promotional measures are part-financed by the EU (50%), trade organizations (30%) and the member states (20%).

Total

The CMO for wine was reformed in 1999 and went into force in August 2000. While the reform was supposed to represent a move away from price support, a significant portion of budgetary expenditure under the new CMO still covers many of the same intervention policies and controls which existed under the old regime. Compared to 1999, the last year covered by the old wine regime, total expenditure in 2001 actually nearly doubled under the new regime with the addition of new payments for restructuring and conversion of vineyards.

EU Wine Budget - Actual Expenditure 1997-2001 (in million Euros)				
1997	1998	1999	2000	2001
1030	700	615	766	1197

Source: EU Financial Report 2001

EU Wine Budget - 2001 Expenditure by member state (in million Euros)	
Germany	40.7
Greece	15.9
Spain	469.8
France	221.8
Italy	379.7
Luxembourg	0.4
Austria	13.6
Portugal	54.1
U.K.	0.5
Total	1196.7

Source: EU Financial Report 2001

Related USEU reports:

Report Number	Title	Date released
E21111	EU Wine Reform	9/13/2001
E23019	EU Promotional Measures in 3 rd countries	2/10/2003

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